

## Message Text

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ACTION AGR-08

INFO OCT-01 EUR-12 ISO-00 AGRE-00 CEA-01 CIAE-00 COME-00

DODE-00 EB-07 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04

ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00 OMB-01

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R 081533Z SEP 76

FM AMEMBASSY WARSAW

TO SECSTATE WASHDC 3747

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PASS USDA

E.O. 11652: N/A

TAGS: EAGR, PL

SUBJECT: AGRICULTURE IN TRANSITION

REF: (A) WARSAW 3506, (B) WARSAW 4588

1. SUMMARY. A PLENUM OF THE CENTRAL COMMITTEE HAS BEEN CALLED FOR SEPTEMBER 9 TO DISCUSS POLISH AGRICULTURAL POLICY THROUGH 1980. ALTHOUGH THE PARAMETERS OF THE PLENUM ARE NOT CLEAR, IT WILL PROBABLY FOCUS ON THE ASSIGNMENT OF INTER-SECTORAL GOALS AND RESPONSIBILITIES FOR ACHIEVING AGRICULTURAL OBJECTIVES. STATE HOLDINGS OF AGRICULTURAL LAND ARE EXPECTED TO GROW BY 50 PERCENT OVER THE 1976-1980 PERIOD: SIZEABLE INVESTMENTS IN THE CHEMICAL, MACHINERY, CONSTRUCTION, AND TRANSPORT SECTORS WILL BE REQUIRED IF AGRICULTURAL PRODUCTION WOULD BE INCREASED. THE GOP IS ATTEMPTING TO DEVELOP PRAGMATIC PROGRAMS AND ENCOURAGE THE SALE OF UNDER-

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UTILIZED LAND TO THE STATE OR OTHER PRIVATE FARMS AND WHETHER

THESE NEW PROGRAMS CAN BE EFFECTED EFFICIENTLY IN THE FACE OF PEASANT HOSTILITY TOWARD GOVERNMENT PRICING POLICY AND CYNICISM WITH REGARD TO THE PARTY'S SUPPORT OF PRIVATE FARMS REMAINS TO BE SEEN. END SUMMARY.

2. FACED WITH THE SECOND POOR HARVEST IN SUCCESSION, THE POLISH GOVERNMENT HAS BECOME PAINFULLY AWARE OF THE REAL COST OF LARGE IMPORTS OF GRAIN FROM THE WEST. (IF GRAIN IMPORTS EXCEED 7 MILLION TONS IN 1977, AS RECENTLY PREDICTED, THE POLES WOULD BE PAYING OVER \$1 BILLION.) THE FRAGMENTED NATURE OF POLAND'S PRIVATE FARMS, WHICH CONSTITUTE SOME 80 PERCENT OF TOTAL AGRICULTURAL LAND, CAN OF COURSE NOT BE CHANGED OVERNIGHT. THE FIVE-YEAR PLAN WILL APPARENTLY CALL FOR ONLY A 3 PERCENT AVERAGE ANNUAL INCREASE IN AGRICULTURAL PRODUCTION.

3. THE GOP, HOWEVER, APPEARS DETERMINED TO HALT THE DECLINE IN THE AMOUNT OF LAND UNDER PRODUCTION. THIS GOAL WILL NOT BE AN EASY ONE, AND STRAINS WILL BE PLACED ON THE POLISH ECONOMY AND POSSIBLY THE SOCIAL FABRIC. RECENT ARTICLES IN THE POLISH PRESS HAVE ESTIMATED THAT OVER 800,000 HECTARES (OR ABOUT 10 PERCENT OF TOTAL LAND IN GRAIN PRODUCTION) ARE BEING FARMED BY ELDERLY PERSONS IN FAILING HEALTH, WHO ARE PRESUMABLY UNABLE TO MAINTAIN SATISFACTORY LEVELS OF PRODUCTION AND WHO DO NOT HAVE IDENTIFIABLE HEIRS. SIMILARLY, ABOUT 1.5 MILLION FARMERS ARE ESTIMATED TO BE ON THE BORDERLINE IN TERMS OF AGE, PRODUCTIVITY, AND POSSIBILITY OF PASSING THEIR HOLDINGS TO HEIRS WILLING TO WORK THE LAND. SINCE THIS LATTER GROUP ALONE REPRESENTS ABOUT A THIRD OF THE AGRICULTURAL WORKFORCE, THE POTENTIAL DECLINE IN PRODUCTION IF THESE LANDS WERE TO FALL OUT OF PRODUCTION COULD BE STAGGERING. GIVEN THE AGING OF THE WORKFORCE AND THE ABSENCE OF HEIRS, THE GOP IS DEEPLY CONCERNED THAT NEEDED INVESTMENTS IN PRIVATE FARMS WILL BE LACKING AND THAT THE CONDITION OF MANY FARMS WILL DETERIORATE.

4. AS REPORTED IN WARSAW 3506, THE GOP LAST SPRING INTRODUCED LIMITED OFFICIAL USE

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LEGISLATION TO ENCOURAGE THE SALE OF PRIVATE LANDS TO THE STATE. THE LEGISLATION WOULD GO SO FAR AS TO PROVIDE AUTHORITY TO FORCE THE SALE OF LANDS WHICH DID NOT MEET AVERAGE LEVELS OF PRODUCTIVITY FOR THE REGION. ALTHOUGH THE EFFECTS OF THESE POLICIES ARE NOT YET CLEAR, MINISTRY OF AGRICULTURE OFFICIALS HAVE TOLD EMBASSY OFFICERS THAT THE MAIN PROBLEM HAS BEEN WITH HANDLING THE LARGE NUMBER OF SALES. WE DO NOT KNOW WHETHER FARMERS IN MANY REGIONS

ARE "WAITING IN LINE" FOR THE CHANCE TO SELL FOR FIXED-INCOME PENSIONS. (GROWING SHORTAGES AND RUMORS OF EVENTUAL RATIONING OF OTHER FOOD ITEMS WILL CERTAINLY NOT INDUCE PEASANT FARMERS TO FOREGO THE RELATIVE INDEPENDENCE OF SELF-PRODUCTION.) IT DOES SEEM CLEAR THAT IF THE GOP IS HAVING DIFFICULTY SMOOTHLY ABSORBING THE LANDS NOW BEING OFFERED TO IT BY FARMERS, THESE DIFFICULTIES WILL BE MUCH GREATER UNDER THE PROPOSED PLAN TO SPEED UP STATE ACQUISITION OF LAND.

5. THE AVERAGE SIZE OF A PRIVATE POLISH FARM IS 12 ACRES AND IS OFTEN HALF THAT SIZE IN THE POORER SOUTHERN REGIONS, WHICH WOULD SEEM TO BE THE MAIN FOCUS OF THESE PROGRAMS. MOREOVER, THE FARMS ARE NOT INTEGRAL UNITS. THE SALE OF RANDOM ACRES HERE AND THERE WILL NOT ALLOW AN EFFECTIVE INCREASE IN THE SCALE OF FARMING IN MANY AREAS. ONE ARTICLE ESTIMATES THAT THE HOLDINGS OF AGRICULTURAL LANDS BY STATE FARMS WILL INCREASE BY 50 PERCENT BY 1981, REPRESENTING 30 PERCENT OF TOTAL LAND IN AGRICULTURAL PRODUCTION AS OPPOSED TO THE CURRENT 20 PERCENT. MINISTRY OFFICIALS HAVE GIVEN SIMILAR ESTIMATES. MOST STATE FARMS ARE CONCENTRATED IN THE NORTH AND NORTHWEST OF POLAND, AND THE LARGEST GROWTH IN STATE FARMING OVER THE NEXT FIVE YEARS WILL PROBABLY OCCUR AS THESE FARMS PURCHASE NEIGHBORING PRIVATE LAND. IT WILL BE SOME TIME BEFORE LAND SALES TO THE GOVERNMENT WILL PROVIDE SUFFICIENTLY LARGE UNITS IN SOUTH AND SOUTH-CENTRAL POLAND TO SUPPORT THE ESTABLISHMENT OF NUMEROUS NEW STATE FARMS.

6. THE EXPANSION OF STATE FARMS, MOREOVER, MUST GO PARALLEL WITH INCREASING DELIVERIES OF EQUIPMENT, FERTILIZER, AND INFRASTRUCTURE IF PRODUCTION LEVELS

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ARE TO BE MAINTAINED. ONE WESTERN ECONOMIST ESTIMATES THAT IT COSTS OVER 36,000 SLOTYS TO BRING AN ADDITIONAL HECTARE INTO PRODUCTION ON A STATE FARM AND THAT COMPLETE STATE AGRICULTURAL PRODUCTION WOULD REQUIRE AN INVESTMENT OF 20-25 PERCENT OF THE NATIONAL PRODUCT FOR AT LEAST THE NEXT 25 YEARS. EXACT COSTS CANNOT BE DETERMINED, BUT THEY WOULD BE ENORMOUS. THE DIRECTOR OF ONE STATE FARM NEAR OLSZTYN HAS TOLD EMBASSY OFFICERS THAT HE HAS SUFFICIENT FUNDS TO PURCHASE AN ADDITIONAL 8,000 HECTARES AT THIS TIME, WHICH WOULD INCREASE THE SIZE OF THE FARM BY 50 PERCENT. HE HAS OPTED INSTEAD TO KEEP ADJACENT PRIVATE FARMERS IN PRODUCTION AS LONG AS POSSIBLE. THE COOPERATIVE PROGRAMS WHICH THAT DIRECTOR HAS ESTABLISHED TO USE STATE MACHINERY ON PRIVATE PLOTS IN RETURN FOR LABOR-INTENSIVE CROP AND LIVESTOCK CARE BY THE PEASANTS MAY BE A GROWING TREND IN POLAND.

7. THE KEY TO THE GOP'S AGRICULTURAL POLISY OVER THE NEXT FIVE YEARS WILL PROBABLY NOT BE HOW QUICKLY IT IS ABLE TO EXPAND STATE FARMING, BUT RATHER HOW ABLY IT SUPPORTS LARGER-SCALE PRIVATE FARMING AND OTHER NON-STATE FARM ARRANGEMENTS. THE GOP HAS, IN LIMITED OFFICIAL USE

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FACT, ADOPTED CREDIT POLICIES WHICH ENCOURAGE PRIVATE FARMERS TO INCREASE THE SIZE OF THEIR HOLDINGS. MINISTRY OF AGRICULTURE OFFICIALS SAY THEY WANT TO ENCOURAGE LARGER-SCALE "SPECIALIZED" PRIVATE FARMS, AND CITE EXAMPLES OF FARMS RECENTLY EXPANDED TO THE SIZE OF 80 TO 90 HECTARES. MINISTRY OFFICIALS SAY THAT SUCH PRIVATE PURCHASES WILL BE TIED TO "GOOD FARMING" GUARANTEES ON THE PART OF THE FARMERS, WHO WILL BE OBLIGATED TO PARTICIPATE IN GOVERNMENT EXTENSION SERVICES AND TO MEET FERTILIZER-USAGE AND

OTHER STANDARDS.

8. CREDIT POLICIES, HOWEVER, WILL NOT NECESSARILY INDUCE PRIVATE FARMERS TO EXPAND THEIR LAND HOLDINGS. MOST FARMERS PROBABLY NURTURE THE MEMORY OF THE EARLY 1950S WHEN LARGER-THAN-AVERAGE FARMS WERE IDENTIFIED AS "BOURGEOIS" AND EXPORPRIATED OR REDUCED IN SIZE. MOREOVER, FARMERS WILL HAVE TO BE CONVINCED THAT THE NEW LAND WILL BE REMUNERATIVE. AN UNOFFICIAL STUDY PUBLISHED IN DZIENNIK LUDOWY ESTIMATED THAT, EVEN AFTER PRODUCER PRICES FOR LIVESTOCK AND PRODUCE WRE RAISED THIS JULY, PRIVATE FARMERS WERE STILL LOSING MONEY ON BEEF AND PORK AND THAT THE PURCHASING PRICE OF RYE FROM FARMERS DID NOT COVER THEIR PRODUCTION COSTS. PRIVATE FARMERS MAY, IN SHORT, DECIDE TO MINIMIZE THEIR RISKS AND NOT INCREASE THEIR COSTS THROUGH INCREASED USE OF EXPENSIVE INPUTS AND MACHINERY.

9. MINISTRY OFFICIALS HAVE TOLD US THAT NEW EMPHASIS WILL BE PLACED ON AGRICULTURAL CIRCLES, WHICH ARE SAID TO BE RELATIVELY WELL DISPERSED THROUGHOUT THE COUNTRY AND WHICH COULD ADJUST TO THE PROBLEMS OF FARMING THE "PATCHWORK" LANDS SOLD IN THE NEXT FEW YEARS. A MOVE TO ENCOURAGE AGRICULTURAL CIRCLES, HOWEVER, COULD ALSO BE PERCEIVED AS AN END-RUN TOWARD COLLECTIVIZATION, AND THEREFORE A WARNING FOR PRIVATE FARMERS TO RETRENCH.

10. THERE ARE IDEOLOGICAL AND POLITICAL LIMITS TO THE EXTENT TO WHICH THE GOP CAN ENCOURAGE LARGER PRIVATE FARMS. MINISTRY OFFICIALS ARE QUICK TO SAY THAT THEY HAVE NO IDEOLOGICAL AX TO GRIND WITH REGARD TO COLLECTIVICATION OR STATE OWNERSHIP. WEALTHIER PRIVATE FARMERS, COMMANDING LARGER ECONOMIC RESOURCES, WOULD, HOWEVER, HAVE TO BE INCREASINGLY TAKEN INTO ACCOUNT ON ECONOMIC AND EVENTUALLY POLITICAL DECISIONS. IT WILL BE INTERESTING TO SEE WHETHER PARTY LEADERS ARE WILLING AND ABLE TO REACH SOME SORT OF COMPACT WITH THE RESOLUTELY ANTI-COMMUNIST PRIVATE LIMITED OFFICIAL USE

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FARMERS, OR WILL MERELY ATTEMPT TO MUDDLE THROUGH WITH INCREASINGLY INVOLVED AD HOC ARRANGEMENTS.  
DAVIES

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